



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Pick-Sloan Missouri Basin Program--Eastern Division-Rate Order No. WAPA-188

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed transmission and ancillary services formula rates.

SUMMARY: Western Area Power Administration (WAPA) proposes new formula rates for the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) transmission and ancillary services. These rates will be used by WAPA's Upper Great Plains Region (UGP) to provide rate data to the Southwest Power Pool, Inc. (SPP), the Regional Transmission Organization of which UGP is a member. The existing rates for services expire on September 30, 2020. The proposed rates should not result in increased overall costs to customers compared to the current formula rates because the increase to the Operating Reserves rate is expected to be offset by a similar reduction in the transmission rate.

DATES: A consultation and comment period will begin [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] and end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

WAPA will present a detailed explanation of the proposed formula rates and other modifications at public information forums on the following dates and times:

1. September 24, 2019, 9 a.m. to 10:30 a.m. CDT in Omaha, Nebraska, and
2. September 25, 2019, 9 a.m. to 10:30 a.m. CDT in Bismarck, North Dakota.

WAPA will accept oral and written comments at public comment forums on the following dates and times:

1. September 24, 2019, 11 a.m. to no later than 12 p.m. CDT in Omaha, Nebraska, and
2. September 25, 2019, 11 a.m. to no later than 12 p.m. CDT in Bismarck, North Dakota.

WAPA will accept written comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed formula rates submitted by WAPA to FERC for approval should be sent to: Mr. Jody Sundsted, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT, 59101-1266; or email: *UGPTRates@wapa.gov*.

WAPA will post information about the proposed formula rates and written comments received to the “Rates” folder on UGP’s Open Access Same-Time Information System (OASIS), UGP’s rates website, and the “Western Area Power Administration UGP Information” link on SPP’s Member Related Postings website at the following locations, respectively:

<http://www.oasis.oati.com/wapa/index.html>

<https://www.wapa.gov/regions/UGP/rates/Pages/rates.aspx>

<http://opsportal.spp.org/OASIS/Directory/Member%20Related%20Postings>.

In addition, WAPA will post information by email about the proposed formula rates to the SPP “Formula Rate Posting Information Notification” Exploder List:

frpin@spplist.spp.org.¹ Copies of the posted information will be provided upon request.

Public information and comment forum locations are:

1. Holiday Inn Omaha Downtown Airport, 1420 Cuming Street, Omaha, NE, 68102, and
2. Radisson Hotel Bismarck, 605 East Broadway, Bismarck, ND, 58501.

FOR FURTHER INFORMATION CONTACT: Ms. Linda Cady-Hoffman, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT, 59101-1266; telephone: (406) 255-2920; email: *cady@wapa.gov*.

SUPPLEMENTARY INFORMATION: On November 19, 2015, FERC approved and confirmed Rate Schedules WAUGP-ATRR, WAUGP-AS1, WAUW-AS3, WAUW-AS4, WAUW-AS5, WAUW-AS6 and WAUW-AS7 under Rate Order No. WAPA-170 on a final basis for a 5-year period through September 30, 2020.² These existing rate schedules consist of separate formula-based rates for transmission service and ancillary services for the transmission facilities in the P-SMBP--ED that UGP transferred to the functional control of SPP. The proposed rates continue the formula-based methodology that includes an annual update to the financial data in the rate formulas with only limited changes to: 1) the Rate Formula Templates to increase transparency; 2) the Rate Formula Implementation Protocols to clarify UGP's rate implementation and annual update procedures; 3) the Operating Reserves formula rates to incorporate costs associated with

¹ Information on how to subscribe to SPP's email Exploder Lists is available at <https://www.spp.org/stakeholder-center/exploder-lists/>.

² Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket No. EF15-8-000, 153 FERC ¶ 61,213 (2015). FERC also accepted the inclusion of UGP's revenue requirements for transmission and ancillary services under the SPP Open Access Transmission Tariff, FERC Docket No. ER15-2354-000, 152 FERC ¶ 61,257 (2015).

UGP's current reserve sharing group membership; and 4) the Rate Schedules for Energy Imbalance and Generator Imbalance to accommodate possible participation in a Western Interconnection energy imbalance service market. WAPA intends the proposed formula-based rates, if adopted, to go into effect on October 1, 2020. The charges under the rates would be updated on January 1 of each year thereafter. The proposed formula rates would remain in effect until September 30, 2025, or until WAPA changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

UGP is a Transmission Owner member of SPP pursuant to negotiated provisions in its SPP Membership Agreement and the SPP Bylaws and SPP Open Access Transmission Tariff (SPP OATT). Transmission and ancillary services are provided by SPP under the SPP OATT for UGP's facilities transferred to the functional control of SPP. UGP has transmission facilities in both the Eastern and Western Interconnections separated by the Miles City direct current tie and the Fort Peck Power Plant substation. UGP operates its Western Area Power Administration, Upper Great Plains West (WAUW) Balancing Authority Area in the Western Interconnection as the Balancing Authority (BA), and has not placed the portion of its transmission system located in the Western Interconnection into SPP's Integrated Marketplace. UGP still provides ancillary services associated with its WAUW in the Western Interconnection as the BA.

UGP needs to adopt new formula rates for transmission and ancillary services so that UGP's costs can continue to be recovered under the SPP OATT. UGP's revenue requirements are added to the annual revenue requirements of other transmission owners

in the multi-owner SPP pricing Zone 19, also identified as the Upper Missouri Zone (UMZ) for transmission service billed by SPP within the UMZ. UGP's revenue requirements under these proposed rates also impact other costs for transmission service within the broader SPP footprint. The proposed formula rates provide UGP sufficient revenue to pay all annual costs, including interest expenses, and repay investment.

Proposed Formula Transmission Rates

UGP proposes to continue to use its current formula rate calculation methodology for its Annual Transmission Revenue Requirement (ATRR), currently provided under Rate Schedule WAUGP-ATRR. This rate schedule includes UGP's transmission facilities in both the Eastern and Western Interconnections that are transferred to the functional control of SPP and used by SPP in order to provide transmission service in the UMZ under the SPP OATT. Consistent with UGP's current formula rates, UGP proposes to continue recovering transmission system expenses and investments on a forward-looking basis by using projections to estimate transmission costs for the upcoming year, with a true-up of incurred costs in a subsequent year. Transmission-related annual costs include operation and maintenance, interest, administrative and general costs, and depreciation. Cost data is submitted to SPP in standard revenue requirement templates and classified as either "Zonal" or "Regional" costs as defined under the SPP OATT. "Zonal" costs are recovered within the local pricing zone while "Regional" costs are recovered across the entire SPP footprint. UGP is only proposing changes to the ATRR Formula Rate Template to more clearly and transparently document the facilities and associated portion of UGP's costs that are classified as "Zonal" versus "Regional" under the SPP OATT.

The Formula Rate Template for ATRR and related information will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Proposed Formula Rate Protocols

For transmission and ancillary services provided under the SPP OATT, UGP proposes to continue to provide information relating to UGP's rate implementation and annual updates in Formula Rate Implementation Protocols (Protocols), which together with the Formula Rate Templates (Templates), comprise the Formula Rates that are submitted to SPP to be incorporated in the SPP OATT. UGP proposes changes to its current Protocols to clarify and include additional detail regarding UGP's rate implementation and annual update procedures. UGP was one of the first transmission owners in the UMZ to develop Protocols. Therefore, UGP needs to update its Protocols to be more consistent with the Protocols of other transmission owners in the UMZ that were developed and approved after UGP joined SPP. All relevant information regarding customer meetings will also be contained in the Protocols. The Protocols will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Proposed Formula Rates for SSCD Service

UGP proposes to continue to use its current formula rate calculation methodology for Scheduling, System Control, and Dispatch Service (SSCD), currently provided under Rate Schedule WAUGP-AS1 for the SPP UMZ. This rate schedule also includes transmission facilities in the WAUW. UGP proposes to include additional information

regarding implementation and annual updates for SSCD in its revised Protocols. The Formula Rate Template for SSCD and related information will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Proposed Formula Rate for Regulation and Frequency Response Service

UGP proposes to continue to use its current formula rate calculation methodology for Regulation and Frequency Response Service (Regulation), currently provided under Rate Schedule WAUW-AS3. This rate schedule addresses Regulation associated with UGP's WAUW in the Western Interconnection. UGP proposes to include additional information regarding implementation and annual updates for Regulation in its revised Protocols. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, UGP will continue to provide Regulation in the WAUW as the BA, primarily from United States Army Corps of Engineers generation facilities. The Formula Rate Template and related information for Regulation will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Proposed Formula Rates for Operating Reserves Service – Spinning and Supplemental

UGP proposes to continue to use its current formula rate calculation methodology for Operating Reserve – Spinning Reserve Service and for Operating Reserve – Supplemental Reserve Service (collectively, Operating Reserves), currently provided under Rate Schedules WAUW-AS5 and WAUW-AS6, respectively. These rate

schedules address Operating Reserves associated with UGP's WAUW in the Western Interconnection. UGP proposes a change to the rate formulas to incorporate costs associated with its current reserve sharing group membership. In addition, UGP proposes to include additional information regarding implementation and annual updates for Operating Reserves in its revised Protocols. Given the SPP Integrated Marketplace does not extend into the Western Interconnection, UGP will continue to provide Operating Reserves in the WAUW as the BA. UGP utilizes the reserve requirement of the reserve sharing group of which UGP is currently a member for its transmission system in the Western Interconnection. The Formula Rate Templates for Operating Reserves and related information will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Proposed Formula Rates for Energy Imbalance and Generator Imbalance Services

UGP proposes to continue to use its current formula rate calculation methodologies for Energy Imbalance Service (Energy Imbalance), currently provided under Rate Schedule WAUW-AS4, and Generator Imbalance Service (Generator Imbalance), currently provided under Rate Schedule WAUW-AS7. These rate schedules address Energy Imbalance and Generator Imbalance associated with UGP's WAUW in the Western Interconnection. UGP is proposing changes to Rate Schedules WAUW-AS4 and WAUW-AS7 to accommodate possible participation in a Western Interconnection energy imbalance service market by UGP as the BA. UGP proposes to include additional information regarding implementation and annual updates for Energy Imbalance and Generator Imbalance in its revised Protocols. Given that the SPP Integrated Marketplace

does not extend into the Western Interconnection, UGP will continue to provide Energy Imbalance and Generator Imbalance in the WAUW as the BA from its own resources or from resources available to it, including possible participation in a Western Interconnection energy imbalance service market. The Formula Rate Templates and related information for Energy Imbalance and Generator Imbalance will be posted on the UGP OASIS, the UGP rates website, and the SPP Member Related Postings website at the locations listed above.

Legal Authority

Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985 and February 21, 2019.³ The proposed action is a major rate adjustment, as defined by 10 CFR part 903.2(e). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), WAPA will hold public information and public comment forums for this rate adjustment. WAPA will review and consider all timely public comments at the conclusion of the consultation and comment period and make amendments or adjustments to the proposal as appropriate. Proposed rates will be forwarded to the Assistant Secretary for Electricity for approval on an interim basis.

WAPA is establishing the formula rates for P-SMBP--ED in accordance with Section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Interior and the Bureau of Reclamation (Reclamation)

³ 50 FR 37835 (Sept 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to FERC. By Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy also delegated to the Under Secretary of Energy the authority to confirm, approve, and place into effect on an interim basis power and transmission rates for WAPA. By Redellegation Order No. 00-002.10D, effective June 4, 2019, the Under Secretary of Energy further delegated to the Assistant Secretary for Electricity the authority to confirm, approve, and place into effect on an interim basis power and transmission rates for WAPA.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that WAPA initiates or uses to develop the proposed formula rates are available for inspection and copying at the Upper Great Plains Region, Western Area Power Administration, located at 2900 4th Avenue North, Billings, Montana. Many of these documents and supporting information are available on UGP's rates website at

<http://www.wapa.gov/ugp/rates/default.htm> and the other posting locations listed above.

RATEMAKING PROCEDURE REQUIREMENTS:

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321-4347); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: August 9, 2019.

Mark A. Gabriel,
Administrator.

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